

VZCZCXRO1548
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #2813/01 1720823
ZNR UUUUU ZZH
P 210823Z JUN 07
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 4739
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RUALSFJ/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 4083
RUEHFK/AMCONSUL FUKUOKA 1666
RUEHOK/AMCONSUL OSAKA KOBE 5240
RUEHNAG/AMCONSUL NAGOYA 0795
RUEHKSO/AMCONSUL SAPPORO 2496
RUEHBJ/AMEMBASSY BEIJING 7542
RUEHUL/AMEMBASSY SEOUL 3594
RUCNDT/USMISSION USUN NEW YORK 4704

UNCLAS SECTION 01 OF 11 TOKYO 002813

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)
SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 06/21/07

INDEX:

- (1) US-oriented ASDF Iraq mission to be extended without fully disclosing information
- (2) Hard to understand opposition: Maher
- (3) Yonaguni Town Assembly rejects petition opposing US minesweepers' visit
- (4) Serious discord between Abe, Upper House chairman Aoki over civil service reform legislation
- (5) Roundtable among veteran reporters on future of Abe administration
- (6) Why is the US House resolution on the war comfort-women issue about to be passed?
- (7) Interim settlement of account on Abe administration - part 5: Structural reforms without sacred areas; 3 % spending cut policy eliminated from big-boned economic guidelines; Too many budget requests reinstated due to pressure from government agencies

ARTICLES:

- (1) US-oriented ASDF Iraq mission to be extended without fully disclosing information

The bill amending the Iraq Special Measures Law cleared the Diet yesterday, enabling the Air Self-Defense Force to extend its airlift activities in the country for up to two years from August. Chief Cabinet Secretary Yasuhisa Shiozaki played up Japan's determination to continue assisting Iraq's reconstruction efforts. Contrary to his words, Japan's assistance is focused on the United States rather than on Iraq, as seen from the fact that the ASDF has been transporting supplies mostly for the US-led coalition forces since the Ground Self-Defense Force left Iraq last July. There are strong concerns about the government extending the ASDF's highly dangerous mission without fully disclosing the details of their activities.

"If something goes wrong, a life-threatening situation can result in. It's like working on a razor blade." Defense Minister Fumio Kyuma described the ASDF's activities using C-130 transport planes this way on June 5 before the Upper House Foreign Affairs and Defense Committee.

In 2005, the British force's C-130 Hercules crashed outside Baghdad following what appeared to be a missile attack by enemy forces, killing all 10 military personnel on board.

This was followed by the government's decision to force ASDF planes to take sharp descents and ascents when using Iraqi airports and equip them with reinforced fuel tanks and flares against missile tracking. Those steps do not guarantee their safety, however.

Since the GSDF left Iraq, the ASDF's area of transport has expanded to cover Al Airport to Baghdad to Arbil. "When warfare occurs under a flight path, ASDF aircraft are forced to fly in a combat zone,"

TOKYO 00002813 002 OF 011

said Kyuma before the Upper House Foreign Affairs and Defense Committee on June 19. The mission now carries a greater risk.

The total death toll of 18 countries of all nations that have sent troops to Iraq now stands at 128, excluding the United States and Britain. "It has been sheer luck that no one in the ASDF has been killed," a senior Defense Ministry official explained.

According to the Defense Ministry, the ASDF has made 518 flights, transporting 46.5 tons of supplies, since last July. They were mostly for the US-led coalition forces, with flights for the United Nations accounting only for 25 (between last September and this March).

The Bush administration has given high marks to the ASDF's airlift mission in Iraq against the backdrop of many US allies, including Britain and South Korea, making preparations for leaving Iraq. A protracted deployment of US troops in Iraq is certain to give rise to strong calls in Washington for the ASDF's continued activities in the country, making it difficult for Tokyo to devise an exit strategy.

Kyuma gave up on visiting Iraq for security reasons

Masaya Oikawa, Washington

Defense Minister Fumio Kyuma secretly studied the possibility of visiting Iraq in late June but gave it up for security reasons, sources said on June 20. Kyuma informally asked the United States for protection but Washington reacted negatively, citing frequent terrorist attacks on prominent figures.

(2) Hard to understand opposition: Maher

RYUKYU SHIMPO (Page 2) (Full)
June 20, 2007

YONAGUNI-US Naval Forces Japan is planning to have two minesweepers make a port call at the island of Yonagunijima. On this plan, US Consul General Okinawa Kevin Maher clarified that the two minesweepers would call at the island as planned. He also said: "The

US Navy has contributed to Japan's security. It's hard to understand why they are against the planned visit." With this, Maher raised a question about the stance of Okinawa Prefecture and Yonaguni Town. The Okinawa prefectural government is calling for the US Navy to abstain from making port calls at the island, and the Yonaguni municipal government has clarified its opposition to the planned port call. Maher was replying to a question asked by the Ryukyu Shimpo in an interview.

In the face of opposition, the two US minesweepers will visit Yonagunijima Island as planned. "Not all local residents are opposed to the visit," Maher said, adding: "The US Navy has made more than 600 port calls in Japan over the past 25 years. Some people demonstrate against the port call, but many people come out to see the ships. Most visits are overwhelmingly welcomed." With this, Maher indicated that he would promote exchanges with local residents who are in favor of the port call.

One of the reasons cited by Yonaguni Town for its opposition to the port call is that neither of the island's two ports-one in its Sono area and the other in its Kubera area-is an open port. In this respect, Maher noted that the Japan-US Status of Forces Agreement's

TOKYO 00002813 003 OF 011

Article 5 does not distinguish open ports from closed ones.

It is also feared that the planned visit of a US warship to the island will irritate China and Taiwan. Maher stressed: "US naval ships have visited here and there in Japan. Just because they visit a port in Japan provides no reason for another country to oppose it."

Moreover, with local residents in mind, Maher said: "We'd like to ask for cooperation and consideration with exchange and friendship. I hope they will come out to see the visiting ships."

(3) Yonaguni Town Assembly rejects petition opposing US minesweepers' visit

RYUKYU SHIMPO (Page 2) (Abridged)
June 20, 2007

YONAGUNI-The assembly of Yonaguni Town held a monthly regular meeting yesterday, with Sonkichi Sakihara presiding. The assembly voted down a petition opposed to the visits of US warships to Yonagunijima Island with two of its members for the visits and three against the visits.

The Okinawa prefectural government has asked the US Navy to abstain from making port calls at the island of Yonagunijima. In addition, Yonaguni Mayor Shukichi Hokama has also clarified his opposition. The town assembly's response had been noted.

The petition was brought by Hiromoto Komine, a member of the Yonaguni Town Assembly. Citing the record of discussions over the Japan-US Status of Forces Agreement, Komine noted that US vessels are allowed to make port calls only at open ports under the normal circumstances. "The port call planned this time is against that," Komine said. He added: "Ishigaki City and other municipalities of the Yaeyama Islands opposed the visits of US warships, so we should keep pace with them. If the US warships make a port call, that will give the impression that it is strong action taken on the strength of the Japan-US Status of Forces Agreement. It will throw the island into confusion."

(4) Serious discord between Abe, Upper House chairman Aoki over civil service reform legislation

ASAHI (Top Play) (Full)
June 21, 2007

"The established order within the House of Councillors" has been disturbed by Prime Minister Abe. As part of efforts to have a bill amending the National Civil Service Law clear the current Diet session, Abe pressed the ruling camp to give reluctant consent to changing the date of the Upper House election set for July.

Reluctantly bowing to Abe's insistence, Mikio Aoki, chairman of the Liberal Democratic Party caucus in the Upper House, harshly said that if the Liberal Democratic Party is defeated in the Upper House election, "the prime minister will be to blame." In the run-up to the election, the LDP is now saddled with a serious conflict between the party president and the most powerful figure in the Upper House.

On the night of June 15, with only several days left until the end of the Diet session, the prime minister secretly called Aoki to his official residence. LDP Secretary General Hidenao Nakagawa was also

TOKYO 00002813 004 OF 011

present. Upper House Secretary General Toranosuke Katayama hurriedly rushed to the meeting, cancelling some local business.

Abe: "I would like to have the civil service reform legislation enacted in the ongoing Diet session somehow or other, together with legislation to reform the Social Insurance Agency."

Aoki: "I cannot take responsibility and do it, because only five days are left until the session is adjourned. In such a case, there will be no other means but to extend the session."

Following this conversation, decisions were made to extend the session for 12 days and to change the date for the Upper House election.

It was half a month ago that there was a fierce tug-of war between Abe and Aoki. On May 31, when the civil service reform bill was on the homestretch in House of Representatives deliberations, Aoki called Deputy Chief Cabinet Secretary Seiji Suzuki, who comes from the Upper House, to the Diet and told him: "It (passage of the public service reform legislation through the Diet) will be impossible unless the Diet session is extended, so don't bring the bill into the Upper House."

Aoki took this view: Even if the session is extended by five days, the maximum number of days to avoid any effect on the timetable of the Upper House election, it will be impossible to guarantee that the legislation will be enacted. For Aoki, agreeing to take care of the civil service bill was tantamount to allowing "the order of the Upper House" to be upset.

Suzuki conveyed to the prime minister what Aoki had told him. Abe seemed to have accepted Aoki's suggestion. Seeing the civil service revision bill clear the Lower House on June 1, Abe said: "I have entrusted a judgment to the party executive." But Abe had not given up hope yet. In opinion poll conducted that weekend, the approval rating for the Abe cabinet went down further. As a tool to turn around the situation, Abe chose the civil service reform legislation.

On June 4, at the beginning of the following week, the prime minister made a phone call to Aoki and earnestly persuaded him to accept his request, using the expression "my political career." In an executive meeting on the evening of the same day, Abe stated: "People are highly interested in restrictions on the parachuting of government employees into private industry after retirement and bid-rigging at the initiative of government agencies. In a bid to put an end to this problem under my cabinet, I would like to push the bill through the current Diet session."

The Upper House LDP tried to grope for ways to skirt the option of changing the date of the Upper House election by resorting to every possible means it has so far cultivated. Its basic stance was to seek a five-day extension of the session by joining hands with the Upper House Democratic Party of Japan (Minshuto). Some members even suggested that the committee should discontinue deliberations and have it discussed at a plenary session.

The Upper House LDP, however, was unable to translate either of the ideas into action, prior to the Upper House election. Aoki was overheard saying to his colleague during a farewell party for an outgoing lawmaker held at the Upper House President's Official Residence on June 15, before meeting the prime minister: "Unless we

take enough time for deliberations, some might begin to say the Upper House is unnecessary."

The Upper House LDP remains dissatisfied with the disruption of the order within the Upper House. Upper House Policy Research Council Chairman Yoichi Masuzoe angrily said: "Changing the date of voting does no good and a lot of harm. The prime minister is indisputably like the naked emperor in the fable The Emperor's New Clothes."

Aoki decided to take a counteroffensive, grumbling to his aides: "It cannot be helped now. It might be an option to fight under the worst situation." In a speech on June 16, Aoki said: "The responsible person is Prime Minister Abe. A majority vote is the victory-or-defeat line. The characteristic of the upcoming election is that we fight while clarifying who should be held responsible if the LDP is defeated in the election."

(5) Roundtable among veteran reporters on future of Abe administration

MAINICHI (Page 2) (Abridged)
Eve., June 19, 2007

The Diet is in uproar. Given Prime Minister Shinzo Abe's insistent on enacting bills reforming the nation's civil service system, not to mention the pension fiasco, the current Diet session is now likely to be extended, thus postponing the House of Councillors election. Where is the increasingly unpopular Abe administration headed? The Mainichi Shimbun's special editor Shigetada Kishii, editorial writer Takakazu Matsuda, and political editor Masahiro Maruyama discussed the fate of the Abe government.

Kishii: Just a month ago, a person close to Liberal Democratic Party Secretary General Hidenao Nakagawa told me, "Our losing the election

SIPDIS
(the ruling coalition dropping below a majority) is no longer likely."

Matsuda: Since then, a series of events have occurred, such as the revelation of 50 million cases of missing pension payments, which has caused a national outcry, and the suicide of former Agriculture, Forestry, and Fisheries Minister Toshikatsu Matsuoka, who was said to have been involved in the bureaucrat-initiated bid-rigging scandal involving the Japan Green Resources Agency. Matsuoka also explained that his office spent millions of yen (in a rent free public office) on some sort of purified water. The public was angry with the lax political fund management of Japanese lawmakers. Their anger was amplified by the Social Insurance Agency's (SIA) recordkeeping errors that prevented a large number of beneficiaries from receiving the amounts they are entitled to get.

Kishii: That has turned around the political mood. The Abe administration, now in a state of turbulence, has been sent into a tailspin. It could go down in defeat.

Maruyama: To begin with, Minshuto (Democratic Party of Japan) forced the SIA to unveil the number 50 million in February. Even Minshuto doesn't know why the matter flared up at this particular time. SIA reform bills have also been rammed through the Lower House.

Matsuda: I heard the rumor that forces opposing the SIA dismantlement plan had supplied the information to Minshuto.

Kishii: That means that they are trying to squelch the plan at the

risk of their jobs. Those against reforming the civil service system are capitalizing on the move, as well.

Maruyama: Some pensioners have come forward and claimed that they have not received their pension benefits in full. That was

astonishing. The figure 50 million suddenly looked realistic.

Matsuda: The government has launched around-the-clock consultation telephone services, but calls do not get through, and even if a call gets through, the persons on the other end of the line cannot answer questions because they are not pros. In the eyes of Minshuto, the LDP has launched a self-destruction campaign.

Kishii: The word haphazard fits the government's response. It should have frozen the SIA bills the moment the figure 50 million came out.

Matsuda: Secretary General Nakagawa reportedly said that the government would make successive SIA chiefs return their retirement allowances. I don't think that's possible. Kazuko Yokoo is now a Supreme Court Justice.

Maruyama: The public outcry will not subside with such a step. Everyone is worried about their benefits.

Matsuda: Why is Abe so eager to amend the National Civil Service Law?

Kishii: For one thing, he wants to re-boot his support rating. He thinks banning the amakudari practice will resonate well with the public. Administrative Reform Minister Yoshimi Watanabe has often said, "Mr. Abe is serious. We will get the legislation enacted in the current Diet session at all costs." But newspapers wrote, "Abe gives up on the plan," and that inflamed him.

Maruyama: The step is also intended to counter Minshuto's election measures that are heavily dependent on Rengo (Japanese Trade Union Confederation).

Matsuda: Faced with mounting key bills, the Upper House doesn't need another bill.

Maruyama: But the Upper House cannot afford to make Abe lose face ahead of the election. A delay in the election would cost money. The Upper House LDP is in a difficult situation.

Kishii: Some think that delaying the election will help the public rage calm down. I don't know if that will work.

Maruyama: I'm afraid the strategy will backfire. Who knows? Something terrible might again come out of the SIA, and civil service reform might not be able to push up Abe's popularity.

Matsuda: Assuming the New Komeito can win 13 seats in the election, the LDP still needs 51 in order in order for the ruling coalition to keep its majority in the Upper House. What do you think?

Kishii: That would be difficult. Shizuka Kamei of the People's New Party predicted a while back that the LDP would win 47 seats with a margin of plus or minus two. That's plausible, although Kamei seems to have corrected it recently to 45 seats with a margin of plus or minus two. A projection by the new YKK trio -- Taku Yamasaki, Koichi Kato and Makoto Koga -- was 47 seats with a margin of plus or minus

TOKYO 00002813 007 OF 011

two. This means between 49 and 45 -- falling into a minority. New Komeito Representative Akihiro Ota expressed skepticism about winning 13 seats, as well.

Matsuda: The Aichi and Saitama electoral districts and eight proportional representation seats hold the key.

Maruyama: I understand that the LDP and the New Komeito will conduct barter-like campaign cooperation between the electoral district and the proportional representation segments. But finding itself under such a heavy storm of criticism, I don't think the LDP can afford to shift its votes to the New Komeito.

Matsuda: But the support rate for the party is still fairly high, which is good news.

Maruyama: As far as public opinion polls are concerned, there is no mistake that a strong headwind is blowing against the LDP. But no tail wind is blowing for Minshuto, either.

Matsuda: Voter turnout tends to low in a year with unified local elections. A low rate will be favorable for the LDP, which relies heavily on the New Komeito's solid organizational votes.

Kishii: The national outcry over the pension issue may bring about less than 40 seats to the LDP, as was predicted by Isao Iijima, private secretary to former Prime Minister Junichiro Koizumi.

Maruyama: Mass abstention from voting in protest against the pension debacle might allow New Komeito votes to sway the outcome.

Kishii: A Diet extension might delay the election to July 22 or 29, which will put it into the summer vacation season. Will unaffiliated voters have the interest to cast their votes early?

Maruyama: The opposition block would definitely attack the ruling camp, saying it has delayed the election aiming at getting a low voter turnout, which is not good for the ruling bloc.

Matsuda: The LDP's setbacks in elections in the past resulted in cabinet resignations. I wonder what might happen to the Abe administration. The LDP garnered 49 seats in the previous Upper House election, and 44 in the one nine years ago, which cost then Prime Minister Ryutaro Hashimoto his job.

Kishii: An outcome much lower than what was projected will deal a strong blow to the party. The common-sense view is that the Abe administration will stay with over 45 seats.

Maruyama: Expectation is low this time, so even 44 might not surprise people.

Kishii: What is totally distinct from the political situations in the past is that there is no power struggle in the LDP to drag down Abe.

Matsuda: Factional power has weakened, and those eager to replace Abe belong to small factions.

Kishii: If Abe were to resign, Foreign Minister Taro Aso and former Finance Minister Sadakazu Tanigaki might come forward. Former Chief Cabinet Secretary Yasuo Fukuda might also push ahead.

TOKYO 00002813 008 OF 011

Matsuda: Fukuda himself will probably not seek the post. The Tsushima faction might be able to have its own candidate. What about

SIPDIS

former Prime Minister Koizumi coming back to assume the helm of government?

Kishii: That's unlikely. I think he plans to retire from politics when the current term is over.

Kishii: Some are whispering double elections, which I don't buy.

Maruyama: I don't think Abe will opt for it, because chances for constitutional revision would diminish.

Matsuda: In 1986, double elections were carried out by then Prime Minister Yasuhiro Nakasone, who said: "Double elections need a leader with strong wishes." I cannot sense strong wishes in Abe.

(6) Why is the US House resolution on the war comfort-women issue about to be passed?

TOKYO (Page 24) (Abridged)
June 21, 2007

The seeds for its passage sown by Japan; US essentially warning Japan not to return to the prewar situation; Accepting

responsibility and making public apology the last chance for Japan to avoid isolation

The outlook is that a resolution in the US Congress calling on the Japanese government to apologize for the issue of the use of war comfort women during World War II will be passed. Why is this US House of Representatives resolution now headed for passage? Although the resolution has no binding power, what meaning does it hold for the pulse of Japan-US relations in the future?

"Although ordinary Americans' interest in the issue is low, apart from public opinion, it should be watched carefully as an issue affecting America's diplomatic stance," warned New York-based journalist Yuji Kitamaru, his face filled with alarm. The resolution was presented to the House late this January by seven members, including Congressman Mike Honda, a third-generation Japanese-American. It urged the Japanese government to "accept historical responsibility in a clear form" regarding the comfort-women issue, and to "officially apologize" and "rebut as the government (domestic arguments (that deny the issue))."

The resolution is not the first to be presented to the House. Since 1996, it has been presented eight times, but each time, it was scrapped before it reached the House floor. However, Tokyo Economic University lecturer on women's history Hiroko Suzuki explained: "It was just Japan's luck that (the comfort-women issue) is now regarded as a state crime. In 1992, the Republic of Korea's Council on Measures to deal with the Issue of Voluntary Corps (teishintai = translation of the original Korean word for comfort women whose lives were sacrificed to the military) appealed the United Nations Human Rights Commission, and since then, the issue was seen as a part of the international mainstream."

Why now is the resolution about to pass the House, even though the Japanese government has continued to lobby heavily to have it scrapped as before? In truth, the seeds of its own defeat were sown by the Japanese side.

TOKYO 00002813 009 OF 011

In February, Foreign Minister Taro Aso criticized the expression in the resolution, "(the women) were made into sex slaves by the Japanese army" as "regrettably, not based on objective facts." On March 5, Prime Minister Shinzo Abe officially stated: "There was not coercion in the narrow sense," and, "Even if the resolution passes, I will not apologize." These remarks were criticized by the US media, with the Wall Street Journal, for example, writing, "Japan has again shown an irresponsible attitude toward the facts." However, Prime Minister Abe, during his April visit to the United States, stressed that he would continue to abide by the statement of then Chief Cabinet Secretary Yohei Kono (in 1993) recognizing the involvement of the former Japanese Imperial Army in the comfort-women issue. The situation then seemed headed toward a partial cooling off, but doubts remained, with the New York Times writing that Abe in his "apology" made during his US visit "used vague words in order to avoid responsibility."

Lawmakers and others run full page opinion ad in US daily

What threw oil on the remaining sparks of doubt, turning them into a raging fire, was again something the Japanese side did. The trigger was a full page advertisement titled THE FACTS that came out on June 14 in the Washington Post. Twenty-nine Liberal Democratic Party (LDP) lawmakers, including former Minister of Agriculture Yoshinobu Shimamura and thirteen Democratic Party of Japan (Minshuto) lawmakers including Takashi Kawamura, and others, including journalist Yoshiko Sakurai signed their names as sponsors of the ad.

The contents denied the involvement of the former Imperial Japanese Army by listing such examples as a report about local brokers in prewar Korea who had kidnapped women to make them into comfort women having been arrested by the police who worked under the Japanese rule. This was taken as proof that "Japan's true feelings were quite separate (than what the government said)."

Kitamaru said: "One statement in the ad's contents was terrible. It claimed, 'The US after occupying Japan, commissioned Japan to set up clean and safe comfort stations.' Whoever wrote that never thought about how that would upset US opinion." In reality, Vice President Cheney has expressed his unhappiness about the ad.

Kitamaru is concerned:

"The US is not making an issue about whether or not there was coercion (in the issue of the comfort women). The focus is on whether Japan is becoming positive about the wartime system that produced comfort women or whether it accepts its war defeat. That is what the Japanese government does not understand.

"The resolution essentially springs from an alarm that Japan is moving toward the right. The Democratic Party, which has such a viewpoint, might become the party of the next presidential administration, but the Japanese government, which has focused only on the Bush administration, has no channels at all to that party."

Suzuki proposes that Japan should respond to the House resolution, saying; "The Japanese government should publicly admit responsibility, apologize and pay compensation. This may be its last chance to avoid being isolated in the world."

(7) Interim settlement of account on Abe administration - part 5:
Structural reforms without sacred areas; 3 % spending cut policy

TOKYO 00002813 010 OF 011

eliminated from big-boned economic guidelines; Too many budget requests reinstated due to pressure from government agencies

TOKYO SHIMBUN (Page 2) (Excerpts)
June 19, 2007

The big-boned economic guidelines have changed (under the Abe administration). When Junichiro Koizumi was prime minister, it served as a reform engine to place fetters on budget appropriation requests, by setting an outline for next year's budget. However, it is now being reduced to a tool for frontloading budget requests.

The showcase of Koizumi's last big-boned economic policy for fiscal 2006 was a package reform of expenditures and revenues covering five years. The report was compiled by then State Minister for Economic and Fiscal Policy Heizo Takenaka, who was in charge of drafting the report, and LDP Policy Research Council Chairman Hidenao Nakagawa, who played a role of suppressing opposition from inside the party.

The rumor had it that Nakagawa, who gave priority to spending cuts, and Yosano, who was searching for ways to boost revenues, including tax hikes, were at odds. However, they in the end worked out by force a measure to cut 11.4 - 14.3 trillion yen in spending in order to address the government commitment to move the primary balance into the black.

However, there are no indications of such a punch displayed by the Abe administration in compiling the economic guidelines for fiscal 2007. It incorporated such goals as to prioritize investments in public works, promote efficiency and cut in public servant expenses. But the guidelines set no numerical targets for individual proposals. The best the Abe administration could do was to have the report note that the five-year spending reform plan proposed in the fiscal 2006 economic guidelines should be realized.

Regarding the fiscal 2008 budget, too, Abe's economic guidelines mentioned that budgetary measures necessary to realize a society in which people can have peace of mind will be taken. Those measures include strengthened growth potential, including innovation, the environment and education revitalization, indicating the government stance of allowing an increase in expenditures.

This reflects moves to establish various sacred areas in structural reforms, which are supposed to have no such areas.

The economic guidelines for fiscal 2006 contained 36 pages of text. The annex noting measures to cut 11-14 trillion yen in expenditures

over five years ran to 12 pages, totaling 48 pages. The text of the report for fiscal 2007 ran to 62 pages.

An increase in the number of pages does not necessarily mean that contents have been enriched. On the contrary, the volume of a text tends to be in inverse proportion to its contents. Since various government agencies put in too many proposals in the guidelines in an effort to obtain the Kantei's approval for budgetary appropriation, the guidelines included too many proposals.

Emerging from a meeting of the Council on Economic and Fiscal Policy (CEFP) on June 12, State Minister for Economic and Fiscal Policy Hiroko Ota revealed her impression, "You may think it is only natural for the government to observe the spending reform policy, but it was difficult more than I had expected." She made this comment, which could be taken as showing the white feather meeting

TOKYO 00002813 011 OF 011

offensive stepped up by various government agencies and members of Diet policy cliques.

The wording adopted in writing such policies as revenue reform and a growth strategy, showcases of the big-boned guidelines for fiscal 2007, also lacked a message.

There is the Inspiring Economic Museum in the Tokyo Tower in Minato Ward, Tokyo. The Cabinet Office opened it in 2005 with the aim of explaining the present state of the Japanese economy in a lucid manner. Abe attended the opening ceremony, when he was chief cabinet secretary.

SIPDIS

During the ceremony, he carried a "debt backpack" weighing 6.5 kilograms, the weight of bank notes worth 65 million yen, a per-minute increase in government debts.

It has been eight months and a half since Abe took office as prime minister. Government debts have kept increasing during this timeframe as well. The outstanding balance of long-term debts held by the national and local governments has inflated to over 767 trillion yen. How is Abe now taking the weight he carried on his back two years ago?

DONOVAN